



DEPARTMENT OF THE ARMY  
U.S. Army Corps of Engineers  
WASHINGTON, D.C. 20314-1000

REPLY TO  
ATTENTION OF:  
CERM-F

11 DEC 1998

MEMORANDUM FOR Commanders and Directors, USACE Commands

SUBJECT: Accounting Policy for Notes (Long Term) Receivable

1. The Federal Accounting Standards Advisory Board (FASAB) set forth standards for Government-wide CFO reporting. FASAB standard for recording "Accounts Receivable" states that a receivable should be recognized when a federal entity establishes a claim to cash or other assets against another entity, either based on legal provisions (such as a payment due date) or goods/services provided. Notes (Long Term) Receivable are governed by the same standard with the following minimum conditions required:

a. A promissory note or contract is made by one entity (service provider) to another entity (customer).

b. Written agreement is signed by both entities.

c. Contains an unconditional promise or order to pay a certain sum of money.

d. Promissory note or contract must be payable on demand or at a definite time. The period shall exceed more than one year.

2. Within USACE Civil Works, water storage contracts were identified by the U.S. Army Audit Agency as long term receivables. These Notes Receivable will be recorded in CEFMS for the full term of the agreement (e.g., 10, 20, 30 years, etc.). However, where a termination clause exists, the receivable will be limited to the period of the termination notice. For example, for a thirty year water supply contract with a five year termination notice, the Notes Receivable will be booked on a five year interval. Likewise, water storage contracts containing an indefinite time period with no termination clause are to be booked at a maximum period of ten years.

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3. Civil Works outgrants and concessionaire leases are not being considered by USACE as long term receivables. This decision was based on the fact that outgrants/concessionaire leases include a thirty, sixty or ninety day termination notice. Also, the current receivables are computed based on a percentage of gross receipts, using the Graduated Rental System rate process, or a special provision allowing credits for work in kind.

4. The general ledger correlation functionality in CEFMS is scheduled to be completed by 31 December 1998 for recording Notes (Long Term) Receivable. Once the functionality is complete, this procedure will be followed.

FOR THE COMMANDER:

  
STEPHEN COAKLEY  
Deputy Chief of Staff,  
Resource Management

**INFORMATION PAPER**  
**CFO ISSUES-FY 1999 AUDIT**

**Issue:** Long Term (Non-Current) Receivables

**References:** CERM-F memorandum dated 23 September 1994,  
Subject: Non-current Accounts Receivable (General Ledger  
Account 121.00). This memorandum re-emphasized the basic  
definition of the standard general ledger 121.00 for long  
term receivables contained in chapter 2 of ER 37-2-10.

**Description:** USAAA auditors focused on the districts not  
recording Water Storage Contracts as long term receivables.  
Specifically, some districts were recording the current  
amounts due, and didn't record the non-current amounts  
(greater than a year) due. The programming logic used in  
COEMIS wasn't added to CEFMS as a functionality. This may  
have caused some districts to omit the entire process or  
maintain a list of water storage contracts off-line whereby  
recording only the amounts due manually in CEFMS. The  
CEFMS functionality must contained amortization schedule,  
amount due and cut-off periods.

**Requirements for Compliance:**

**Standard:** Long term receivables must be booked in CEFMS.

**Field Action:** Comply with standard as written.

**HQUSACE Actions:** The USACE Finance Center is developing  
a module for CEFMS to automatically track and bill water  
storage contracts. Provide to the field updated Command  
Guidance to include FASAB standard for recording Long Term  
Receivable by 31 December 1998. Also, revises ER 37-2-10  
where needed.

**Milestone:** MSC Commanders provide monthly assessment.

**Estimated Completion Date:** 31 December 1998 for the  
CEFMS functionality to be programmed and publishing updated  
Command Guidance.

**USAAA POC:** Mr. Joseph Bentz, CGFM, Auditor-In-Charge.

**Other POCs:** HQUSACE, Mr. Tommy Pond (CEFC-AS) 256-864-1800,  
Ms. Margo Sheridan (CERM) 202-761-1828 and Mr. Arland  
Luster (CERM) 202-761-1865.

**Remarks:** CEAO has issued instructions to the local Internal Review Offices to validate this area by the completion date.

Arland Luster  
CERM-F  
202-761-1865  
07 December 1998